

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE APPLICATION OF BRACKEN COUNTY)	
WATER DISTRICT NO. 1 AND WESTERN)	
BRACKEN WATER DISTRICT FOR APPROVAL OF)	CASE NO.
THE MERGER OF BRACKEN COUNTY WATER)	95-068
DISTRICT NO. 1 AND WESTERN BRACKEN)	
WATER DISTRICT)	

O R D E R

On February 17, 1995, Bracken County Water District No. 1 ("Bracken") and Western Bracken Water District ("Western Bracken") (hereinafter "Joint Applicants"), pursuant to KRS 74.363, filed with the Commission an application ("Joint Application") wherein they sought authorization to merge into a single water district to be known as Bracken County Water District ("Merged District"). On March 9, 1995, Joint Applicants filed an amendment to their original application ("Amendment") wherein they stated, inter alia, that all current employees of Joint Applicants will be retained subsequent to the merger and that rates within the areas currently served by Bracken and Western Bracken will not change when the merger takes place.¹ On March 10, Joint Applicants filed their

¹ KRS 74.363 states, in pertinent part, that

...obligations of any district secured by the right to levy an assessment as provided by KRS 74.130 through 74.230 or secured by the revenue of the systems operated by the district shall continue to be retired or a sinking fund for such purpose created from the tax assessments or revenue from the system operated by the district from funds collected over the same area by the new board of commissioners in accordance with the laws under which the bonds were issued until all bonded obligations of the old district have been retired.

In order to comply with this mandate, the Merged District shall establish for rate-making and accounting purposes a Bracken County Water District Division No. 1 and a Bracken County Water District Division No. 2 [Merger Agreement, at 3].

executed Merger Agreement dated March 7, 1995 ("Merger Agreement"). Appended to the Merger Agreement as Appendix A and Appendix B, respectively, are copies of the minutes of meetings of Western Bracken and Bracken during which the proposed merger was approved.

Both Bracken and Western Bracken are water districts pursuant to KRS Chapter 74, and both provide water service in Bracken County, Kentucky. Both Bracken and Western Bracken are utilities within the definition of KRS 278.010(3) and are subject to the jurisdiction of the Commission.

Section (1) of KRS 74.361 sets forth the purposes of merger, stating in pertinent part,

The general assembly of the Commonwealth of Kentucky determines as a legislative finding of fact that reduction of the number of operating water districts in the Commonwealth will be in the public interest, in that mergers of such districts will tend to eliminate wasteful duplication of costs and efforts, result in a sounder and more businesslike degree of management, and ultimately result in greater economies, less cost, and a higher degree of service to the general public; and that the public policy favors the merger of water districts whenever feasible.

The Boards of Water Commissioners of Bracken and Western Bracken have determined that the proposed merger is in the public interest in that it will result in economies of scale, lower operating costs and, ultimately, lower retail water rates [Merger Agreement, at 1].

Joint Applicants submit that the Merged District shall initially be governed by a Board of Water Commissioners consisting of the present Commissioners of Bracken and Western Bracken for a

period of at least one but not more than three years, after which the number of Commissioners shall be reduced to three as the respective terms of the incumbent Commissioners expire. As the terms of the incumbent Commissioners expire, the County Judge Executive shall appoint successors as provided in KRS 74.363 and KRS 74.020.

KRS 74.363 requires that the Merged District assume all assets and legal liabilities of the utilities joining in the merger. Joint Applicants submit that the Merged District will assume all such obligations and assets.

Joint Applicants do not presently propose any change in their basic operations other than the merger of Bracken and Western Bracken.

IT IS THEREFORE ORDERED that:

1. Joint Applicants' request for authorization to merge Bracken County Water District No. 1 and Western Bracken Water District into a single district is approved.

2. Within 10 days of the consummation of the proposed merger, Joint Applicants shall notify the Commission that the merger has taken place or, in the alternative, shall notify the Commission if the proposed merger does not occur.

3. Within 30 days after the consummation of the merger, Joint Applicants shall file with the Commission documentation memorializing the assumption by the Merged District of all assets and liabilities specified in KRS 278.363.

4. Within 30 days of the consummation of the merger, Joint Applicants shall file with the Commission the journal entries for each participating utility reflecting the merger.

5. Within 30 days of the consummation of the merger, Joint Applicants shall file a balance sheet for the Merged District.

6. The Merged District shall maintain separate accounting procedures as necessary to ensure that all bonded obligations of Bracken and Western Bracken will be retired as specified in KRS 74.363.

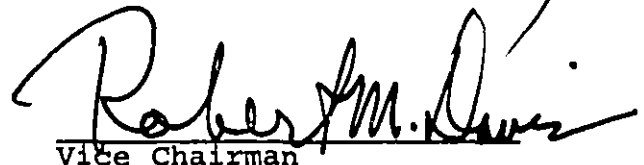
7. Within 10 days of the consummation of the merger, Joint Applicants shall file an Adoption Notice pursuant to 807 KAR 5:011, Section 11.

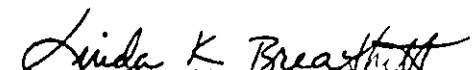
8. Within 10 days of its filing of the Adoption Notice, Joint Applicants shall file a tariff for the Merged District.

Done at Frankfort, Kentucky, this 11th day of May, 1995.

PUBLIC SERVICE COMMISSION


Chairman


Vice Chairman


Commissioner

ATTEST:


Executive Director